

CITY OF UDALL, KANSAS

**Financial Statements
December 31, 2011**

**with
Independent Auditors' Report**

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MEMBERS
GREGORY B. SEVIER, C.P.A.
JOHN B. GOSS, C.P.A.

PRINCIPALS
VONDA J. WILSON, C.P.A.
DENISE M. GUDENKAUF, C.P.A.
MATT T. HAASE, C.P.A.
JON W. OETTING, C.P.A.

PETERSON, PETERSON & GOSS, L.C.

CERTIFIED PUBLIC ACCOUNTANTS

417 NORTH TOPEKA AVENUE
P.O. BOX 1259

WICHITA, KANSAS 67201-1259

TELEPHONE 316-262-8371
FAX 316-262-5369
www.ppglc.com

MEMBER OF THE
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

OF COUNSEL
MARVIN W. NYE, C.P.A.

INDEPENDENT AUDITORS' REPORT

The Mayor and City Council
City of Udall, Kansas

We have audited the accompanying financial statements of the individual funds of the City of Udall, Kansas, as of and for the year ended December 31, 2011 as listed in the table of contents. These financial statements are the responsibility of the management of the City of Udall, Kansas. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the *Kansas Municipal Audit Guide* and auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the City's policy is to prepare its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of each of the various funds of the City of Udall, Kansas, as of December 31, 2011, and the revenues received and expenditures paid of such funds for the year then ended on the basis of accounting described in Note 1.

This report is intended solely for the information and use of the City Council and management of the City of Udall, Kansas and for filing with the Kansas Department of Administration, Division of Accounts and Reports and should not be used for any other purpose.

April 23, 2012

Peterson Peterson & Goss, LC

CITY OF UDALL, KANSAS
Summary of Cash Receipts, Expenditures and Unencumbered Cash
For the Year Ended December 31, 2011

Funds	Beginning Unencumbered Cash Balance	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances	Current Year Ending Cash Balance
Governmental Type Funds:						
General	\$ 116,941	\$ 422,804	\$ 382,876	\$ 156,869	\$ 2,677	\$ 159,546
Special Revenue:						
Special Highway	22,155	23,016	24,861	20,310		20,310
Library	211	7,410	7,379	242	235	477
Equipment Reserve	32,628	-	16,603	16,025		16,025
Capital Improvement	85,900	-	-	85,900		85,900
Grant Programs	-	40,090	31,470	8,620		8,620
City Sales Tax	44,680	75,797	44,680	75,797		75,797
Payroll Clearing	77	263,805	265,879	(1,997)		(1,997)
Debt Service Fund:						
Bond and Interest	49,657	38,163	59,494	28,326		28,326
Proprietary Type Funds:						
Electric System	225,888	867,648	855,505	238,031	38,027	276,058
Electric Reserve	20,000	-	-	20,000		20,000
Water System	32,934	329,866	253,528	109,272	6,483	115,755
Water Reserve	40,906	-	-	40,906		40,906
Sewer System	38,345	48,800	26,826	60,319	362	60,681
Sewer Reserve	5,000	-	-	5,000		5,000
Refuse System	9,358	50,903	50,067	10,194	4,054	14,248
Agency Type Funds:						
Swimming Pool Construction	55,835	635	56,470	-		-
Total	<u>\$ 780,515</u>	<u>\$ 2,168,937</u>	<u>\$ 2,075,638</u>	<u>\$ 873,814</u>	<u>\$ 51,838</u>	<u>\$ 925,652</u>
Composition of cash:						
Petty cash						\$ 200
Union State Bank :						
Regular checking						175,709
Certificates of deposit						63,749
Corner Bank:						
NOW account						223,409
Certificates of deposit						<u>462,585</u>
Total						<u>\$ 925,652</u>

The notes to the financial statements are an integral part of this statement.

CITY OF UDALL, KANSAS
 Summary of Expenditures - Actual and Budget
 Budgeted Funds Only
 For the Year Ended December 31, 2011

<u>Funds</u>	<u>Certified Budget</u>	<u>Adjustments for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance - Favorable (Unfavorable)</u>
Governmental Type Funds:					
General	\$ 401,970		\$ 401,970	\$ 382,876	\$ 19,094
Special Revenue:					
Special Highway	30,000		30,000	24,861	5,139
Library	7,600		7,600	7,379	221
City Sales Tax	101,000		101,000	44,680	56,320
Debt Service:					
Bond and Interest	79,493		79,493	59,494	19,999
Proprietary Type Funds:					
Electric System	837,068	40,803	877,871	855,505	22,366
Water System	265,415		265,415	253,528	11,887
Sewer System	83,383		83,383	26,826	56,557
Refuse System	60,636		60,636	50,067	10,569

The notes to the financial statements are an integral part of this statement.

CITY OF UDALL, KANSAS
Statement of Cash Receipts and Expenditures - Actual and Budget
General Fund
For the Year Ended December 31, 2011

	Budget	Actual	Variance - Over (Under)
Cash Receipts:			
Taxes and shared revenue:			
Ad valorem	\$ 161,839	\$ 162,147	\$ 308
Delinquent	-	165	165
Motor vehicle	34,717	33,634	(1,083)
Licenses, permits and fees	4,500	4,191	(309)
Franchise fees	24,000	21,210	(2,790)
Fines, forfeitures and penalties	21,000	15,762	(5,238)
Interest	15,000	7,880	(7,120)
Cemetery	2,800	2,500	(300)
Grants and donations	200	122,577	122,377
SCIP Grant	-	16,407	16,407
Rents	1,440	1,440	-
Sales tax collected - utilities	18,000	23,224	5,224
Other	-	11,667	11,667
Total Cash Receipts	283,496	422,804	139,308
Expenditures:			
General government:			
Personnel services	23,120	20,192	2,928
Commodities	2,900	2,430	470
Contractual services	42,950	42,608	342
Capital outlay	6,000	1,550	4,450
Taxes remitted - utilities	15,000	23,892	(8,892)
Police department:			
Personnel services	95,000	46,140	48,860
Commodities	12,000	3,776	8,224
Contractual services	28,000	12,924	15,076
Vehicle and other expense	-	3,622	(3,622)
Court remittances	5,000	2,706	2,294
Capital outlay	10,000	-	10,000

CITY OF UDALL, KANSAS
Statement of Cash Receipts and Expenditures - Actual and Budget
General Fund
For the Year Ended December 31, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Over (Under)</u>
Expenditures: continued			
Parks:			
Commodities	\$ 3,000	\$ 2,888	\$ 112
Capital outlay	15,000	101,064	(86,064)
Street department:			
Contractual services	95,000	-	95,000
Commodities	10,000	2,333	7,667
Other:			
Planning	6,000	122	5,878
Civil defense	18,000	-	18,000
Housing rehab grant	15,000	116,629	(101,629)
Total Expenditures	<u>401,970</u>	<u>382,876</u>	<u>19,094</u>
Receipts Over (Under) Expenditures	(118,474)	39,928	158,402
Unencumbered Cash, Beginning	<u>118,474</u>	<u>116,941</u>	<u>(1,533)</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ 156,869</u>	<u>\$ 156,869</u>

The notes to the financial statements are an integral part of this statement.

CITY OF UDALL, KANSAS
Statement of Cash Receipts and Expenditures - Actual and Budget
Special Highway Fund
For the Year Ended December 31, 2011

	<u>Budget</u>	<u>Actual</u>	Variance - Over (Under)
Cash Receipts:			
State fuel tax	\$ 20,576	\$ 19,377	\$ (1,199)
County fuel tax	<u>3,000</u>	<u>3,639</u>	<u>639</u>
Total Cash Receipts	23,576	23,016	(560)
Expenditures:			
Commodities	15,000	7,861	7,139
Capital outlay	<u>15,000</u>	<u>17,000</u>	<u>(2,000)</u>
Total Expenditures	30,000	24,861	5,139
Receipts Over (Under) Expenditures	(6,424)	(1,845)	4,579
Unencumbered Cash, Beginning	<u>6,424</u>	<u>22,155</u>	<u>15,731</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ 20,310</u>	<u>\$ 20,310</u>

The notes to the financial statements are an integral part of this statement.

CITY OF UDALL, KANSAS
Statement of Cash Receipts and Expenditures - Actual and Budget
Library Fund
For the Year Ended December 31, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Over (Under)</u>
Cash Receipts:			
Taxes and shared revenue:			
Ad valorem	\$ 6,268	\$ 6,266	\$ (2)
Delinquent	-	10	10
Motor vehicle	1,173	1,134	(39)
Total Cash Receipts	<u>7,441</u>	<u>7,410</u>	<u>(31)</u>
Expenditures:			
Contractual	<u>7,600</u>	<u>7,379</u>	<u>221</u>
Receipts Over (Under) Expenditures	(159)	31	190
Unencumbered Cash, Beginning	<u>159</u>	<u>211</u>	<u>52</u>
Unencumbered Cash, Ending	<u><u>\$ -</u></u>	<u><u>\$ 242</u></u>	<u><u>\$ 242</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF UDALL, KANSAS
Statement of Cash Receipts and Expenditures - Actual
Equipment Reserve Fund
For the Year Ended December 31, 2011

	<u>Actual</u>
Expenditures:	
Capital outlay	<u>\$ 16,603</u>
Receipts Over (Under) Expenditures	(16,603)
Unencumbered Cash, Beginning	<u>32,628</u>
Unencumbered Cash, Ending	<u><u>\$ 16,025</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF UDALL, KANSAS
Statement of Cash Receipts and Expenditures - Actual
Capital Improvement Fund
For the Year Ended December 31, 2011

	<u>Actual</u>
Unencumbered Cash, Beginning	<u>\$ 85,900</u>
Unencumbered Cash, Ending	<u><u>\$ 85,900</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF UDALL, KANSAS
Statement of Cash Receipts and Expenditures - Actual
Grant Programs Fund
For the Year Ended December 31, 2011

	<u>Actual</u>
Cash Receipts:	
Federal aid - Department of Commerce	\$ 40,090
Expenditures:	
Community building improvements	<u>\$ 31,470</u>
Receipts Over (Under) Expenditures	8,620
Unencumbered Cash, Beginning	<u>-</u>
Unencumbered Cash, Ending	<u><u>\$ 8,620</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF UDALL, KANSAS
Statement of Cash Receipts and Expenditures - Actual and Budget
City Sales Tax Fund
For the Year Ended December 31, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Over (Under)</u>
Cash Receipts:			
Local sales tax	\$ 51,000	\$ 75,797	\$ 24,797
Expenditures:			
Capital outlay	101,000	-	101,000
Transfer to:			
Water System Fund	-	44,680	(44,680)
Total Expenditures	<u>101,000</u>	<u>44,680</u>	<u>56,320</u>
Receipts Over (Under) Expenditures	(50,000)	31,117	81,117
Unencumbered Cash, Beginning	<u>50,000</u>	<u>44,680</u>	<u>(5,320)</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ 75,797</u>	<u>\$ 75,797</u>

The notes to the financial statements are an integral part of this statement.

CITY OF UDALL, KANSAS
Statement of Cash Receipts and Expenditures - Actual
Payroll Clearing Fund
For the Year Ended December 31, 2011

	<u>Actual</u>
Cash Receipts:	
Payroll deposits	\$ 263,805
Expenditures:	
Payroll costs	<u>265,879</u>
Receipts Over (Under) Expenditures	(2,074)
Unencumbered Cash, Beginning	<u>77</u>
Unencumbered Cash, Ending	<u><u>\$ (1,997)</u></u>

* - Special revenue fund not subject to cash basis laws

The notes to the financial statements are an integral part of this statement.

CITY OF UDALL, KANSAS
Statement of Cash Receipts and Expenditures - Actual and Budget
Bond and Interest Fund
For the Year Ended December 31, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Over (Under)</u>
Cash Receipts:			
Taxes and shared revenue:			
Ad valorem	\$ 18,042	\$ 18,158	\$ 116
Delinquent	-	108	108
Motor vehicle	4,358	4,224	(134)
Special assessments	<u>11,000</u>	<u>15,673</u>	<u>4,673</u>
Total Cash Receipts	33,400	38,163	4,763
Expenditures:			
Principal	44,432	44,432	-
Interest	15,061	15,062	(1)
Cash basis reserve	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Total Expenditures	<u>79,493</u>	<u>59,494</u>	<u>19,999</u>
Receipts Over (Under) Expenditures	(46,093)	(21,331)	24,762
Unencumbered Cash, Beginning	<u>46,093</u>	<u>49,657</u>	<u>3,564</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ 28,326</u>	<u>\$ 28,326</u>

The notes to the financial statements are an integral part of this statement.

CITY OF UDALL, KANSAS
Statement of Cash Receipts and Expenditures - Actual and Budget
Electric System Fund
For the Year Ended December 31, 2011

	Budget	Actual	Variance - Over (Under)
Cash Receipts:			
Electric sales	\$ 600,000	\$ 769,178	\$ 169,178
New meter set	1,000	1,992	992
Penalties	7,500	13,640	6,140
Connect fees	6,000	6,800	800
Other	1,000	35,235	34,235
Reimbursements	-	40,803	40,803
Total Cash Receipts	615,500	867,648	252,148
Expenditures:			
Personnel services	152,000	166,803	(14,803)
Contractual services	501,971	570,964	(68,993)
Commodities	73,196	57,640	15,556
Capital outlay	95,325	54,565	40,760
Refunds	4,576	5,533	(957)
Transfer to Electric Reserve Fund	10,000	-	10,000
Legal General Fund Budget	837,068	855,505	(18,437)
Adjustment for qualifying budget credits	40,803	-	40,803
Total Expenditures	877,871	855,505	22,366
Receipts Over (Under) Expenditures	(221,568)	12,143	233,711
Unencumbered Cash, Beginning	221,568	225,888	4,320
Unencumbered Cash, Ending	\$ -	\$ 238,031	\$ 238,031

The notes to the financial statements are an integral part of this statement.

CITY OF UDALL, KANSAS
Statement of Cash Receipts and Expenditures - Actual
Electric Reserve Fund
For the Year Ended December 31, 2011

	<u>Actual</u>
Unencumbered Cash, Beginning	<u>\$ 20,000</u>
Unencumbered Cash, Ending	<u><u>\$ 20,000</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF UDALL, KANSAS
Statement of Cash Receipts and Expenditures - Actual and Budget
Water System Fund
For the Year Ended December 31, 2011

	Budget	Actual	Variance - Over (Under)
Cash Receipts:			
Water sales	\$ 150,000	\$ 174,053	\$ 24,053
New meter set	800	3,165	2,365
Utility Meter Deposits	3,000	2,715	(285)
Tower rent	-	21,600	21,600
Water tower rehab fee	-	63,041	63,041
Miscellaneous	-	20,612	20,612
Transfer from City Sales Tax Fund	7,200	44,680	37,480
Total Cash Receipts	161,000	329,866	168,866
Expenditures:			
Personnel services	79,000	74,921	4,079
Contractual services	26,051	63,772	(37,721)
Commodities	30,033	16,598	13,435
Capital outlay	31,997	-	31,997
Debt service principal	48,200	48,201	(1)
Debt service interest	48,134	48,135	(1)
Refunds	2,000	1,901	99
Total Expenditures	265,415	253,528	11,887
Receipts Over (Under) Expenditures	(104,415)	76,338	180,753
Unencumbered Cash, Beginning	104,415	32,934	(71,481)
Unencumbered Cash, Ending	\$ -	\$ 109,272	\$ 109,272

The notes to the financial statements are an integral part of this statement.

CITY OF UDALL, KANSAS
Statement of Cash Receipts and Expenditures - Actual
Water Reserve Fund
For the Year Ended December 31, 2011

	<u>Actual</u>
Unencumbered Cash, Beginning	<u>\$ 40,906</u>
Unencumbered Cash, Ending	<u><u>\$ 40,906</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF UDALL, KANSAS
Statement of Cash Receipts and Expenditures - Actual and Budget
Sewer System Fund
For the Year Ended December 31, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Over (Under)</u>
Cash Receipts:			
Charges for service	\$ 45,000	\$ 48,800	\$ 3,800
Expenditures:			
Personnel services	10,709	10,952	(243)
Contractual services	23,435	10,450	12,985
Commodities	4,719	5,424	(705)
Capital outlay	44,520	-	44,520
Total Expenditures	<u>83,383</u>	<u>26,826</u>	<u>56,557</u>
Receipts Over (Under) Expenditures	(38,383)	21,974	60,357
Unencumbered Cash, Beginning	<u>38,383</u>	<u>38,345</u>	<u>(38)</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ 60,319</u>	<u>\$ 60,319</u>

The notes to the financial statements are an integral part of this statement.

CITY OF UDALL, KANSAS
Statement of Cash Receipts and Expenditures - Actual
Sewer Reserve Fund
For the Year Ended December 31, 2011

	<u>Actual</u>
Unencumbered Cash, Beginning	<u>\$ 5,000</u>
Unencumbered Cash, Ending	<u><u>\$ 5,000</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF UDALL, KANSAS
Statement of Cash Receipts and Expenditures - Actual and Budget
Refuse System Fund
For the Year Ended December 31, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Over (Under)</u>
Cash Receipts:			
Charges for service	\$ 49,000	\$ 50,903	\$ 1,903
Expenditures:			
Contractual services	<u>60,636</u>	<u>50,067</u>	<u>10,569</u>
Receipts Over (Under) Expenditures	(11,636)	836	12,472
Unencumbered Cash, Beginning	<u>11,636</u>	<u>9,358</u>	<u>(2,278)</u>
Unencumbered Cash, Ending	<u><u>\$ -</u></u>	<u><u>\$ 10,194</u></u>	<u><u>\$ 10,194</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF UDALL, KANSAS
Statement of Cash Receipts and Disbursements
Agency Funds
For the Year Ended December 31, 2011

<u>Fund</u>	<u>Beginning Cash Balance</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Ending Cash Balance</u>
Swimming Pool Construction Fund	<u>\$ 55,835</u>	<u>\$ 635</u>	<u>\$ 56,470</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

CITY OF UDALL, KANSAS
Notes to Financial Statements
December 31, 2011

1. Summary of Significant Accounting Policies

This summary of significant accounting policies of the City of Udall, Kansas (the City) is presented to assist in understanding the City's financial statements. The financial statements and notes are representations of the City's management, who is responsible for their integrity and objectivity. These accounting policies conform to a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America and, with exception of year-end salary accruals as detailed in Note 13, have been consistently applied in the preparation of the financial statements.

Reporting Entity

The City of Udall is a municipal corporation governed by an elected five-member council. These financial statements present the City of Udall (the primary government). The City has no component units.

Basis of Presentation

The financial activities of the City are recorded and presented on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The following types of funds comprise the financial activities of the City of Udall, Kansas for the year 2011:

Governmental Funds:

General Fund - to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are restricted by law or administrative action to expenditures for specified purposes.

Debt Service Fund - to account for the accumulation of resources for, and the payment of, interest and principal on long-term debt.

CITY OF UDALL, KANSAS
Notes to Financial Statements
December 31, 2011

1. Summary of Significant Accounting Policies (continued)

Proprietary Funds:

Enterprise Funds - to account for operations that are financed and operated in a manner similar to a private business enterprise, where a fee is charged to external users for goods or services.

Agency Funds:

Trust Funds – to account for assets held by a governmental unit in a trustee capacity for special purposes.

Basis of Accounting

The *statutory basis of accounting*, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances, if any. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund and an expenditure is recorded in the fund from which the transfer is made.

The City has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the City to report on the statutory basis of accounting.

Departure from Generally Accepted Accounting Principles

The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories and prepaid expenses, liabilities such as deferred revenue, principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year-end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings and equipment owned by the City are not presented in the financial statements. Also, long-term debt such as general obligation bonds, temporary notes and compensated absences are not presented in the financial statements.

CITY OF UDALL, KANSAS
Notes to Financial Statements
December 31, 2011

2. Budget and Tax Cycle

Kansas Statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds and enterprise funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least 10 days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the statutory basis of accounting, in which, revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the City for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year end.

A legal operating budget is not required for capital project funds and certain special revenue funds. These "nonbudgeted" funds include Equipment Reserve, Capital Improvement, Grant Programs, Payroll Clearing, Electric Reserve, Water Reserve, and Sewer Reserve funds.

Spending in funds which are not subject to the legal annual operating budget requirement are controlled by regulations, other statutes, or by the use of internal spending limits established by the governing body.

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3. Defined Benefit Pension Plan

Plan Description

The City contributes to the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S Kansas, Suite 100; Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% (Tier 1) and 6% (Tier 2) of covered salary. The City (employer) collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established by statutes for calendar year 2011 is 7.74%. The City's employer contributions to KPERS for the years ending December 31, 2011, 2010 and 2009 were \$11,043, \$12,577, and \$10,965, respectively, equal to the required contributions for each year.

4. Special Assessments

Projects, financed in part by special assessments, are financed through general obligation bonds of the City and are retired primarily from the Debt Service Fund. Special assessments paid prior to the issuance of the bonds are recorded as revenue in the appropriate project account. Special assessments received after the issuance of bonds are recorded as revenue in the Debt Service Fund.

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5. Compensated Absences

Vacation

All full time employees of the City shall be entitled to vacation as follows:

From date of employment to December 31 of that year, considered the first calendar year, one week (5 working days) will be earned. After the second calendar year, two weeks (10 working days) will be earned. After ten calendar years, three weeks (15 working days) will be earned. Annual vacation shall be paid at the employee's regular rate during each leave period. Half of the employee's accrued vacation may be carried over from one year to the next. All requests for vacation shall be submitted to the appropriate supervisor. The estimated liability at December 31, 2011, assuming all employees with a carryover balance were to terminate employment, would be \$97.

Sick Leave

All full-time employees of the City shall be entitled to five (5) days of sick leave per calendar year or 1.54 hours per payroll period. Sick leave shall be paid at the employee's regular rate of pay during such sick leave. The term sick leave shall also include any necessary absence from duty caused by injury sustained on the job, but does not include absence from work after the employee becomes eligible for worker's compensation benefits. Sick leave may be accumulated from year to year but no employee shall be credited with more than ten (10) days of accumulated sick leave. The Council may require satisfactory evidence of any illness or absence from duty at the time any payroll is approved.

Changes in the employee handbook, including reimbursement for sick leave accrued over eighty (80) hours, resulted in a reduction of accumulated sick leave. This reimbursement is included in the first pay check of the following year. The cost of accumulated sick leave is recorded in the financial statements at the time payments are made to employees. The estimated liability at December 31, 2011, assuming all employees with accumulated sick leave were to terminate employment, would be \$2,416.

6. Deposits

At year-end the carrying amounts of the City's deposits, including certificates of deposit, were \$925,652. The bank statement balances were \$927,504. The differences between the carrying amounts and the bank balances are outstanding deposits and checks. Of the bank balances, \$500,000 was covered by FDIC insurance and \$427,504 was collateralized by pledged securities held under joint custody receipts issued by third party banks in the City's name. The third party banks holding the pledged securities are independent of the pledging bank. The pledged securities are held under a tri-party custodial agreement signed by all three parties: the City, the pledging bank and the independent third-party bank holding the pledged securities.

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7. Compliance with Kansas Statutes

Management is aware of no statutory violations for the year ended December 31, 2011.

8. Interfund Transfers

Operating transfers were as follows:

<u>From</u>	<u>To</u>	<u>Amount</u>
City Sales Tax Fund	Water Utility Fund	\$44,680

9. Risk Management

Risk management is accomplished primarily through the purchase of commercial insurance coverage.

10. Concentrations

The City buys all of its electricity from the Kansas Power Pool.

11. Operating Leases

The City receives \$120 per month for a building lease with a hair salon.

The City receives \$1,800 per month for space on the water tower for a cell site lease.

12. Subsequent Events

Subsequent events have been evaluated through April 23, 2012, which is the date the financial statements were available to be issued. Events requiring disclosure were identified and disclosed.

13. Long-Term Debt

Changes in long-term liabilities for the City for the year ended December 31, 2011 along with current maturities of long-term debt and interest for the next five years and in five-year increments through maturity are as follows:

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Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Net Change	Balance End of Year	Interest Paid
General Obligation Bond:										
Internal improvements - Series 2001	4.1% to 5.0%	9/15/2001	300,000	9/1/2016	\$ 165,000	\$ -	\$ 25,000	\$ -	\$ 140,000	\$ 7,860
Revolving Loan Program:										
KWPCRF Project No. C20-1325-01	3.26%	9/1/2000	400,252	9/1/2020	225,734	-	19,432	-	206,302	7,202
KDHE Loan Project No 2490	3.63%	11/29/2007	1,365,000	2/1/2030	1,337,992	-	48,201	-	1,289,791	48,135
Total Revolving Loans					1,563,726	-	67,633	-	1,496,093	55,337
Total Contractual Indebtedness					1,728,726	-	92,633	-	1,636,093	63,197
Compensated Absences	N/A	N/A	N/A	N/A	6,422	-	-	(3,909)	2,513	-
Total Long-Term Debt					<u>\$ 1,735,148</u>	<u>\$ -</u>	<u>\$ 92,633</u>	<u>\$ (3,909)</u>	<u>\$ 1,638,606</u>	<u>\$ 63,197</u>
Maturities										
Principal:	2012	2013	2014	2015	2016	2017-2021	2022-2026	2027-2031	Total	
General obligation bond	\$ 25,000	\$ 25,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ -	\$ -	\$ -	\$ 140,000	
Revolving loans program	70,038	72,528	75,106	77,777	80,542	420,921	385,207	313,974	1,496,093	
Total Principal	<u>\$ 95,038</u>	<u>\$ 97,528</u>	<u>\$ 105,106</u>	<u>\$ 107,777</u>	<u>\$ 110,542</u>	<u>\$ 420,921</u>	<u>\$ 385,207</u>	<u>\$ 313,974</u>	<u>\$ 1,636,093</u>	
Interest:										
General obligation bond	\$ 6,735	\$ 5,585	\$ 4,410	\$ 2,970	\$ 1,500	\$ -	\$ -	\$ -	\$ 21,200	
Revolving loans program	52,933	50,443	47,865	45,081	42,429	167,412	96,476	23,204	525,843	
Total Interest	<u>\$ 59,668</u>	<u>\$ 56,028</u>	<u>\$ 52,275</u>	<u>\$ 48,051</u>	<u>\$ 43,929</u>	<u>\$ 167,412</u>	<u>\$ 96,476</u>	<u>\$ 23,204</u>	<u>\$ 547,043</u>	